Government of Alberta ■

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GAS ROYALTY OPERATIONS
INFORMATION BULLETIN
September 2011

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

A. PRICING RATES AND TRANSPORTATION INFORMATION

For Pricing, Royalty Rates and Transportation Information for July 2011, refer to Attachments 1, 1A, 2, 2A and 3. These attachments are also available in Excel Format.

B. NOTICES

NGL Reference Prices, July 2011

A sizeable number of prior period audit amendments have been processed this month resulting in significant adjustments to NGL Reference Prices and Transportation Allowances. The Department of Energy intends to become as current as possible with prior period NGL audit amendments, in anticipation of changes to the calculation of NGL Reference Prices and Allowances. The Department of Energy and Industry are currently engaged in a review of the NGL Royalty Valuation model, but details of a replacement model and implementation timelines are not yet known. Please see attachment 2A.

Statutory Requirement and Recalculation of 2007 Royalty

A production year becomes statute barred on December 31st, four years after the end of a production year. Once a year has become statute barred, calculation or recalculation of royalty does not occur on a monthly basis. Section 38 of the Mines and Minerals Act provides for recalculation of royalty that can be initiated in two ways:
1. On the department's initiative in conjunction with an audit or examination; or
2. At the request of a royalty payer.

Audits in Progress

Non-operator partners are informed that audits on certain allowable costs and other reporting discrepancies are in progress for the 2007 production year. Allowable costs include capital costs, operating costs, custom processing fees and custom processing adjustment factors.

It is anticipated that these audits will be completed before December 31, 2011. However, should circumstances warrant a completion of these audits in 2012, a list of the affected Energy Resources Conservation Board facilities will be included in the December 2011 Information Bulletin. Royalty clients are also reminded that amendments received by the department in the fourth year following the production year may be subject to audit. If the amendments are received late in the fourth year and insufficient time is available for the department to commence a review of the amendments prior to the end of the year, the department reserves the right to commence the audit at the beginning of the fifth year.

If you have any questions, please contact Kris Pretty, Manager, Compliance & Assurance, Calgary, at (403) 297-8785.

Industry Recalculation of 2007 Royalty

Industry initiated royalty recalculation requests for the 2007 production year must be submitted in writing to the attention of Pat Van Meer, Manager, Volumetric & Cost Reporting, Gas Royalty Operations. This request must be received by the department on, or before, December 31, 2011 and it must include the following:

- Identification of the recalculation facility or facilities
- A list of the royalty variables proposed for recalculation
- The reason for the recalculation
- The production year of the recalculation
- An order of magnitude estimate (i.e. >$100,000, >$1 Million, >$2 Million, etc.,) of the recalculation requested
- Identification of all royalty clients that may be impacted by the request (this is necessary, especially in situations where volumes may be cascaded to another client who is expected to respond to the cascade)
- The time lines for recalculation: preparation and submission to the Crown including a reasonable time frame for the Crown to review the recalculation
- Confirmation from the operator that the affected partner(s) have been notified
- A sample copy of the submission pertaining to a particular production month in paper or electronic format (e.g., excel)

If the request meets the department's terms and conditions for recalculation, it will be approved. A request made during the fourth year following the production year, must be completed before the end of the fifth year, with a reasonable time for a review by the department, prior to the end of the fifth year.

If you have any questions regarding this process, please contact your Volumetric & Cost Reporting portfolio representative as identified in Section F of this bulletin.

C. MONTHLY INFORMATION

July 2011 Royalty Due October 31

- **Royalty clients are to remit the total amount payable shown on the October 2011 Statement of Account by October 31, 2011**. If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided.

- **The October 2011 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your July 2011 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.**

- Current period interest will not be charged on current invoice charges for the production month of July 2011 if it is paid in full by October 30, 2011.

- Current period interest will accrue on any overdue charges commencing the first day after the due-date until it is paid in full.

  Note: If the due date falls on a non-business day, the next business day will apply as the due date.

- Cheques are payable to the Minister of Finance, Province of Alberta.

August 2011 VA4 Due October 15

The VA4 forms for the production month of August 2011 are due in the department offices by October 15, 2011.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Registry Deadline Submissions

The Registry deadline submissions for SAF, OAF, and Volumetrics are posted in the Petroleum Registry of Alberta website "Reporting Calendars" under Calendars. Changes to this calendar will be posted on the Registry website home page in "Broadcast Messages."

Interest Rate September 2011

Alberta Energy's interest rate for September is 4.00%.

June Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the June 2011 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments	Net Provisional Assessment
$2,544,423.80	$(120,829,086.05)	$(118,284,662.25)

June Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the June 2011 billing period:

Form	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2011/06
AC2	$29,800.00	($600.00)	$29,200.00
AC4	$200.00	$0	$200.00
AC5	$300.00	$0	$300.00
NGL1	$0	$0	$0
VA2	$0	$0	$0
VA3	$0	$0	$0
VA4	$1,800.00	$0	$1,800.00
Total	**$32,100.00**	**($600.00)**	**$31,500.00**

Gas Royalty Operations Support

Upon request, Gas Royalty Operations staff will be available to meet with clients who need assistance with royalty reporting. Royalty clients requiring assistance are encouraged to contact your respective Volumetric and Cost Reporting portfolio representative, as identified in Section F of this bulletin, to arrange a meeting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via the PRA on September 1 and September 13, 2011. This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the new royalty formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through the PRA to well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, includes Working Interest Owner (WIO) role start/end dates. This report is also published daily on the Petroleum Registry website at:

http://www.petroleumregistry.gov.ab.ca

The department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry at 780-422-1395, if you have any questions regarding the information supplied on this listing.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client names or IDs, please contact Client Registry at 780-422-1395.

Multiple Gas Valuation Prices

Royalty information related to the determination of the Meter Station Factors to adjust transportation for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

E. REMINDERS

Client Contact Information

In order to provide more efficient service to clients, Gas Royalty Operations needs to have current contact information. This information is required when we make changes to our royalty calculation software which results in changes to the User Defined Files (UDF) and Department Defined Files (DDF) which the client downloads in EDI. If you want to be advised in advance of these changes please send your current contact information, (must be an e-mail and mailing address) for either your IT Department or Production Accounting Department. This contact information can be e-mailed to BusinessSystemsCoordination.Energy@gov.ab.ca.

Alberta Natural Gas Royalty Guidelines - 2009 Edition

The latest edition of the Alberta Natural Gas Royalty Guidelines (2009) is currently under final review and is scheduled to be released to industry in the fall of 2011.

The department updates the Alberta Natural Gas Royalty Guidelines when there is a major change in relevant policy or legislation, and regularly to incorporate information published in Information Letters and Information Bulletins. Some major changes included in this Guideline release are the Alberta Royalty Framework and Competitiveness Review changes, specifically dealing with royalty rate components and formulas, royalty reductions and gas cost allowance.

The 2009 edition is effective for January 2009 production periods forward. The 2006 edition is still applicable for periods prior to January 2009.

The Guidelines may be printed from the department's Internet site located at: www.energy.gov.ab.ca

If you have any questions, please contact Penny White at (780) 422-8083.

F. POINTS OF CONTACT

Petroleum Registry of Alberta

The Petroleum Registry of Alberta Service Desk is the focal point for communications with the Registry regarding preparations for, access to, or utilization of the Registry.
To contact the Petroleum Registry of Alberta Service Desk:
Phone: 403-297-6111 or 1-800-992-1144
Fax: 403-297-3665
Email: petroleumregistry.energy@gov.ab.ca

Alberta Energy Internet

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet address: www.energy.alberta.ca, from "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", "Alberta Natural Gas Reference Price (ARP)". In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".

Volumetric & Cost Reporting

Volumetric & Cost Reporting is structured as a Business Associate client portfolio system, which assigns a given Business Associate to one of three teams. Listed below is the portfolio breakdown along with the Volumetric & Cost Reporting Team Leads and phone numbers. The portfolios are divided by company name and not by BA ID.

Example: If your company name is the "Gas Company" you would call the C – G team at 780-644-1202.

Business Associate	Phone Number and E-mail Address	Team Lead
Numbered companies, A, B H-P	780-644-1201 VCR1@gov.ab.ca	Mary Spearing
C – G	780-644-1202 VCR2@gov.ab.ca	Lily Hiew
Q – Z	780-644-1203 VCR3@gov.ab.ca	Jyoti Bhambhani

Gas Royalty Reception: 780-422-8727
Fax: 780-427-3334 or 780-422-8732
Alberta Toll Free: 780-310-0000

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.
In situations where a company has just amalgamated or purchased another company, the general rule is to call the team that is responsible for the "Supra" business associate, or Royalty payer. Below are some guidelines for clients who are unsure which Client Services Team to call regarding their questions.

1. **Amalgamation/consolidation** - Call the team responsible for the "Supra" business associate (Royalty Payer).
   i.e. ABC Oil and Gas amalgamates with Zed Exploration and Zed is the amalgamator (royalty payer). When calling Client Services regarding business

for ABC Oil and Gas, you would call Team 3 (Q-Z) (780-644-1203) because Zed Exploration is now the Supra business associate and royalty payer. This rule would apply even if you were calling regarding business that is prior to the acquisition or amalgamation.

2. **Asset Purchase** - Call the team responsible for your company.
   i.e. 123 Gas purchases the assets of TSP Exploration, but not the company. When calling Client Services regarding business for 123 Gas, you would call Team 1 (# Co., A, B, & H-P) (780-644-1201) because you have only purchased assets.

3. **Consultants/service providers** - If you have a contract to provide production accounting services to a company, call the team responsible for your client's company.
   i.e. Paul Snow Consulting Services enters into a contract with Duckback Oil and Gas and Olive Oil and Gas. Paul Snow would contact Team 2 (C-G) (780-644-1202) to discuss Duckback Oil business and Team 1 (# Co., A, B, & H-P) (780-644-1201) to discuss Olive Oil and Gas business. At the time the contract is signed, Paul Snow would have had each company notify the appropriate team that he was authorized to access information for their company.

Reference Prices and Valuation Allowances Calculation Information

Gas Royalty Valuation and Markets
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400

Deen Khan
Director, Gas Royalty Operations
Royalty Operations

Attachments

2011 GAS AND ISC PRICES

MONTH	Gas Reference Price ($/GJ)	Methane ISC Reference Price ($/GJ)	Methane ISC Par Price ($/GJ)	Ethane ISC Reference Price ($/GJ)	Propane ISC Reference Price ($/GJ)	Butane ISC Reference Price ($/GJ)	Pentanes plus ISC Reference Price ($/GJ)
JAN	3.49	3.49	3.49	3.50	3.73	3.69	3.72
FEB	3.40	3.40	3.40	3.40	3.40	3.40	3.40
MAR	3.19	3.19	3.19	3.19	3.19	3.19	3.19
APR	3.30	3.30	3.30	3.30	3.30	3.30	3.30
MAY	3.39	3.39	3.39	3.39	3.39	3.39	3.39
JUN	3.51	3.51	3.51	3.51	3.51	3.51	3.51
JUL	3.42	3.42	3.42	3.42	3.42	3.42	3.42
AUG							
SEPT							
OCT							
NOV							
DEC							

DETAIL OF THE JULY 2011 GAS AND ISC REFERENCE PRICES						
	Gas	Methane	C2-IC	C3-IC	C4-IC	C5-IC
NOVA Inventory Transfer (NIT) Purchase Price-Alberta Market Price (AMP) from NGX	3.612	3.612	3.612	3.612	3.612	3.612
Deductions: Intra – Alberta Transportation	0.160	0.160	0.160	0.160	0.160	0.160
Price Before Pipeline Factor	3.452	3.452	3.452	3.452	3.452	3.452
Pipeline Fuel/Loss Factor	0.992	0.992	0.992	0.992	0.992	0.992
Price before Special Adjustment	3.424	3.424	3.424	3.424	3.424	3.424
Special Adjustment	0.000	0.000	0.000	0.000	0.000	0.000
Calculated RP (Price Before Amendment Limitation or Rounding)	3.424	3.424	3.424	3.424	3.424	3.424
Amendments: Brought forward (from previous RP month)	0.000	0.000	0.000	0.000	0.000	0.000
Prior Period Amendment Adjustment (current RP month)	0.000	0.000	0.000	0.000	0.000	0.000
Calculated RP after Amendments	3.424	3.424	3.424	3.424	3.424	3.424
Reference Price	**3.42**	**3.42**	**3.42**	**3.42**	**3.42**	**3.42**
Difference carried forward to next RP month (rounding difference not carried forward)	0.000	0.000	0.000	0.000	0.000	0.000
Adjusted Intra-Alberta Transportation Deduction	0.159	0.159	0.159	0.159	0.159	0.159

2011
NATURAL GAS LIQUIDS PRICES

MONTH	Ethane Reference Price ($/GJ)	Ethane Par Price ($/GJ)	Propane Reference Price ($/m3)	Propane Floor Price ($/m3)	Butane Reference Price ($/m3)	Butane Floor Price ($/m3)	Pentanes plus Reference Price ($/m3)	Pentanes plus Par Price ($/m3)	Sulphur Default Price ($ per tonne)
JAN	3.50	3.50	328.53	258.55	476.27	333.43	572.45	556.08	71.15
FEB	3.40	3.40	290.08	255.74	480.89	349.40	580.22	565.91	84.27
MAR	3.19	3.19	320.31	261.41	540.67	348.30	672.36	678.03	84.41
APR	3.30	3.30	325.22	260.22	517.42	360.82	741.56	730.13	91.83
MAY	3.39	3.39	343.92	280.67	494.36	356.71	646.15	615.44	109.07
JUN	3.51	3.51	345.59	282.47	500.69	339.52	647.08	631.87	135.10
JUL	3.42	3.42	333.32	279.22	587.17	346.50	734.90	657.88	112.99
AUG									
SEPT									
OCT									
NOV									
DEC									

ANNUAL SULPHUR DEFAULT PRICE

2006	2007	2008	2009	2010
$18.89	$32.88	$297.39	$5.89	$42.18

2011

NGL TRANSPORTATION ALLOWANCE AND DEDUCTIONS

MONTH	PENTANES PLUS (a)				PROPANE AND BUTANE (b)				PENTANES PLUS, PROPANE & BUTANE (c)				FRAC. ALLOW. (per m3)
	REGION				REGION				REGION				
	1	2	3	4	1	2	3	4	1	2	3	4	
JAN	7.57	22.12	22.71	22.15	33.18	15.55	25.64	29.62	35.43	58.58	60.03	34.21	18.25
FEB	9.82	20.74	4.74	23.14	1.62	-6.61	-351.59	71.43	52.73	35.31	58.66	37.18	18.25
MAR	-30.72	12.38	-5.95	19.89	53.49	38.31	2.55	46.74	65.62	60.23	59.49	58.68	18.25
APR	-4.33	38.66	2.95	22.03	23.57	16.66	20.58	20.59	25.86	29.34	43.76	17.81	18.25
MAY	13.95	53.40	30.03	39.48	23.92	9.71	17.84	18.69	31.40	34.71	47.84	23.03	18.25
JUN	1.96	24.86	35.74	29.39	38.59	19.43	30.32	30.32	32.48	36.64	45.68	23.88	18.25
JUL	-68.31	209.04	47.39	162.77	-15.56	-83.14	-269.80	-1.28	-176.85	187.77	50.70	-89.58	18.25
AUG													
SEPT													
OCT													
NOV													
DEC													

(a) Pentanes Plus obtained as a specification gas product,
(b) Propane and Butane obtained as specification products, and
(c) Pentanes Plus, Propane and Butane contained in a natural gas liquids mix.

Note: For details on "Prior Period Amendment Effects", see Attachment 2A.

PRIOR PERIOD AMENDMENT EFFECTS

NGL REFERENCE PRICES	JULY 2011		
	Propane	*Butanes*	*Pentanes*
Price before amendments	345.616892	470.650306	645.283366
Opening Rollover (from prior business mth)	-0.001957	0.002341	0.003160
Prior Period Amendment Adj. (NGL-100)	-12.297050	116.519609	89.610612
Published Reference Price	**333.32**	**587.17**	**734.90**

TRANSPORTATION ALLOWANCES	JULY 2011											
	Pentanes Plus				Propane and Butane				Pentanes Plus, Propane & Butane			
AMENDMENTS	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4
Opening Rollover (from prior business mth)	-0.001617	-0.001995	0.003019	-0.004697	0.002882	-0.003818	-0.003066	0.000585	-0.000731	-0.001372	0.002774	0.002456
Prior Period Amendment Adj. (NGL-100)	-71.461023	192.551046	7.507655	131.395803	-38.423861	-88.495527	-285.100334	-16.587644	-203.236653	157.823421	12.873239	-106.723487
Total Amendment Effect	-71.462640	192.549051	7.510674	131.391106	-38.420979	-88.499345	-285.103400	-16.587059	-203.237384	157.822049	12.876013	-106.721031
Calculated Transp. Differential	3.157101	16.487799	39.881649	31.378673	22.861442	5.358739	15.306348	15.306348	26.391423	29.947924	37.826057	17.142302
Calculated Transp. Differential after Total Amendments	-68.305539	209.036850	47.392323	162.769779	-15.559537	-83.140606	-269.797052	-1.280711	-176.845961	187.769973	50.702070	-89.578729
Published Transportation Allowance	**-68.31**	**209.04**	**47.39**	**162.77**	**-15.56**	**-83.14**	**-269.80**	**-1.28**	**-176.85**	**187.77**	**50.70**	**-89.58**

Effective January 2011 production period, the royalty rates for methane and ethane are calculated based on a modified royalty formula. The Alberta Royalty Framework Natural Gas Formulas effective the production years 2011, 2010 and 2009 and for Transition, are available on the Alberta Energy
Internet address: http://www.energy.alberta.ca

From the home page, select the Alberta Royalty Framework tab to navigate to select the appropriate formula.